

CREATING AN AFFINITY CARD PROGRAM:

DEVELOPING A RESPONSE FOR PROPOSAL

BY

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Chapter One

THE REVIEW/FRAMING CHAPTER

Introduction

Today's nonprofit organizations are searching for methods to expand their product and service offerings. This need comes from increased pressure to diversify the methods in which they raise funds for their organization. The cornerstone for many nonprofits is still rooted in traditional fundraising focused on consumer donations. However, in recent years the trend has developed for nonprofits to develop Partnerships with for-profit organizations.

"Developing program services is not unlike developing products or services in the for-profit market, particularly as nonprofits look to more innovative methods to earn revenue from products and services" (McNamara, 1999, p.1). Nonprofit services must be marketed, including clarifying which client groups the nonprofit is going to serve (these are target markets), verifying their needs (a basic form of market research), analyzing competitors (nonprofits do have competitors) and potential collaborators, determining the

best fee for services, determining how to produce and distribute the services, and how to promote (advertise, manage public image and sell) the services, as well.

An affinity credit card program can be a vital source of royalty income for an organization and important membership benefit. However, it must first be aligned with the overall mission of the organization, which for most nonprofits is its overall purpose in the community.

During strategic planning, planners work from the mission to identify several overall, major (or strategic) goals that must be reached and that, in total work toward the mission. Each program is associated with achieving one or more strategic goals and therefore, should contribute directly toward the mission as well. Depending on the nature of the organization, strategic planning typically includes review of the organization's vision, mission, values, overall issues and goals. Goals associated with services to clients often become program(s) and strategies to reach those goals often become methods of delivering services in the programs. Because programs must be tied closely to the nature of the organization's mission and its goals, the program planning process should also be closely

aligned to the organization's strategic planning process as well. Typically, at a point right after the strategic planning process has identified strategic goals and issues, a team of planners can draft a framework for how strategic goals can be met. This framework is often the roadmap for a new program.

Since the selection of an issuing bank is so critical to a successful Affinity card program, this author saw a need to develop an outline that would be useful in preparing the roadmap for a new program. The roadmap, which is commonly used for this process, is the development of a Response For Proposal (RFP).

Background

The credit card industry has changed dramatically in recent years (see Visa marketplace trends below). Affinity and co-brand cards are forecasted to account for more than 50% of consumer credit cards in the marketplace by 2003. According to Visa Marketplace Perspective 2001, "Close to half of credit card owners have at least one co-brand or affinity card in their wallet."

**Historical Perspectives – Plastics Payment History
1960 – 2000**

- Plastics payments success driven by confluence of events and trends

| <u>Consumer</u> | <u>Merchants</u> | <u>Technology</u> |
|--|--|--|
| Fit with evolving consumer Lifestyles | - Merchant nationalization | - Communications and computer advances |
| - Greater transience | - Impersonal sales | - Cost effective |
| - Urbanization | - Increased customer satisfaction with credit | - Reliable |
| - Travel | - Incremental sales | |
| - Consumption orientation | | |

Source: Visa Marketplace Perspective 2001

**Current Industry Trends
2001**

- Current market indicative of mature, consumer-accepted environment with substantial growth opportunities
 - Consumer comfort with plastic (willing to use if for more non-traditional means).
 - Debit cards will drive industry growth
 - Partnership/Affinity cards will continue to play a prominent role
 - Industry shift from acquisitions to usage/retention
 - Increasing reliance on non-interest income
 - “e” and “m” commerce are next “big things”

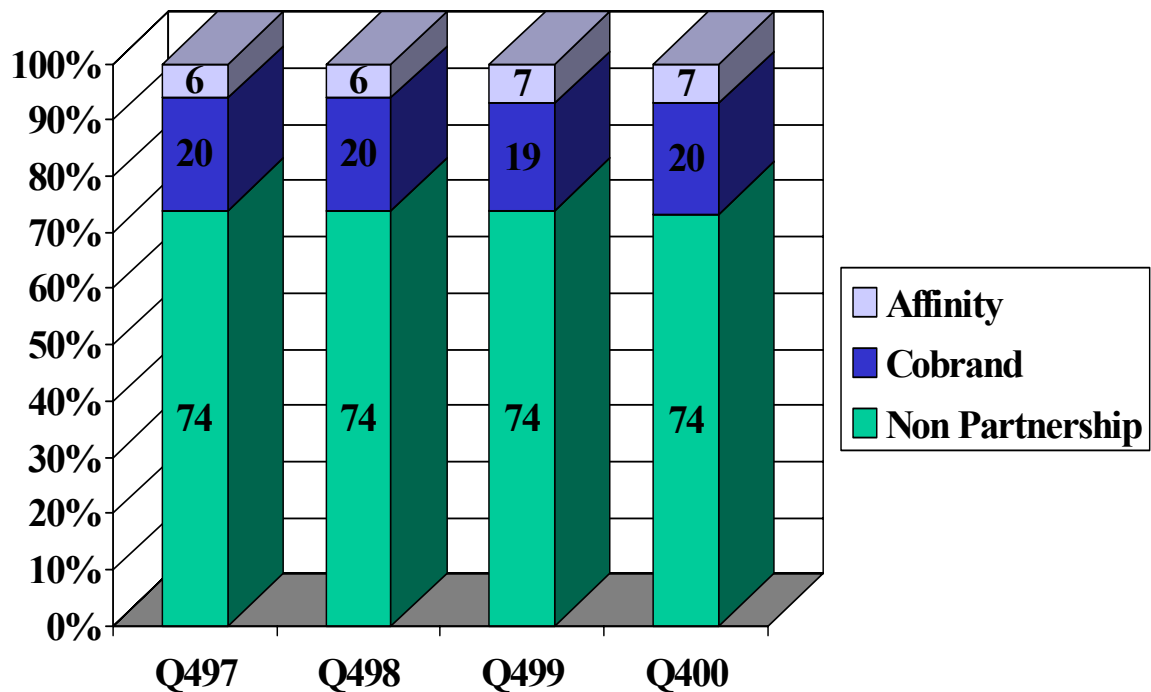
Source: Visa Marketplace Perspective 2001

Note that “Current Industry Trends” as identified by Visa include two very important points as it relates to this research. The first, “Consumers are more comfortable with credit”, this directly affects the nonprofit world because consumers are now placing donations on credit cards in place of traditional cash and check contributions. The second, “Partnership/Affinity cards will continue to play a

prominent role”, as credit card issuing banks continue to determine that Affinity cards are important to their business growth they will develop new methods of developing Partnerships with nonprofits that are ‘win/win’ for both parties involved.

Partnership/Affinity Card Performance - Card Share

One-in-four bank credit cards is a co-brand or affinity card.



Source: Visa Marketplace Perspective 2001

Research Question

Is there a need for a Request For Proposal (RFP) model and strategic guidance outline for associations to utilize when deciding to enter into an affinity card partnership with a bank? This study explores that question by examining the growing need for nonprofit organizations to diversify their fundraising activities and the ever-increasing importance of credit cards as a payment vehicle in today's environment.

With this in mind this research will include an overview of seven industry trends to be aware of when seeking a card issuer. In addition, this research will review the components utilized in creating an affinity card program and determining if an affinity/co-branded credit card program is the correct decision for your organization and its constituents, as well as provide a detailed example of a RFP.

Need For the Study

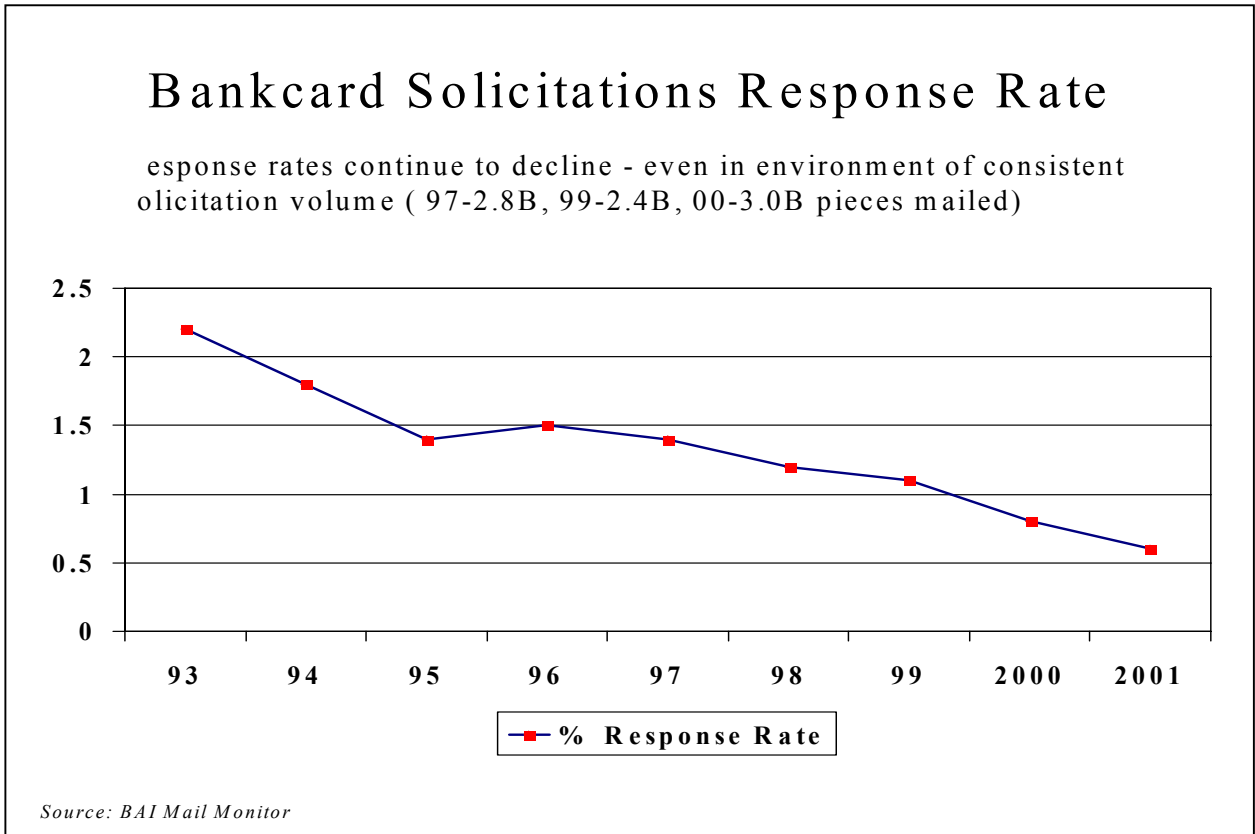
Credit card issuers in a battle for consumers' wallet share are aiming straight for the heart with cards that seek to make an emotional connection with people (bankrate.com,

8/24/98). Card issuers that are continuously looking for new methods of attracting loyal cardholders understand developing a program with an affinity organization provides the first level of marketing segmentation necessary for a successful campaign.

Today over 8,000 affinity (MBNA over 5,000 programs, First USA over 2,500 programs, Citibank, Capital One and American Express round out top 5) programs exist in the marketplace. They range in size from very large programs including the American Association of Retired Persons (AARP), AFL-CIO, and the American Medical Association (AMA) to smaller programs including the Elvis card, state Teaching Associations, the Kiss card and thousands more.

The credit card market place has become increasingly saturated with numerous offerings targeted to consumers daily. This is best measured through direct mail response rates, which in the second quarter of 1999 were the lowest in 10 years of tracking, according to market researcher BAIGlobal Inc. The proportion of people answering mailed credit card offers dropped to 0.6% from 2.5% in 1993. Through the model developed in this study, organizations will have the tools needed to help them determine the

advantages of entering into an affinity card partnership with a bank to issue a credit card.



Objective

To construct a model that will outline the essentials involved with developing a Request for Proposal (RFP) and initial marketing plan for the successful launch of affinity credit card program.

Definition of Terms

Affinity card - A more targeted credit card issued in partnership between a lending institution and a non-financial group. Schools, nonprofit groups, professional associations and enthusiast organizations are among those featured on affinity cards. Usually, use of the card generates revenue back to the organization.

Co-branded card - A type of affinity card issued through a partnership between a lending institution and most often a for-profit group. Retail stores, airlines, hotel chains and computer are among those featured on co-branded cards. Typically most co-branded cards offer a rewards program in which the consumer generates points for each dollar they spend on the card, which can then be redeemed for discounts.

Limitations

The primary limitation of this study is that the data included in this study is primarily gathered from internal bank data and industry publications. Data on this topic is not readily available in standard reference materials.

Therefore the author relied on primary data and utilized secondary data to supplement his findings.

Chapter Two

REVIEW OF THE LITERATURE

Charity..An Act of Humanity

The history of Charity can be varied depending on your source. The author of this research chronicled various sources to establish some understanding of giving and philanthropy. For thousands of years, humanity has understood the need for great figures of the past that supported the concept of helping each other. Historical records show that the ancient Babylonian king Hammurabai, writing about 2000 BC, entreats his subject: "*..to see that justice be done to widows, orphans and the poor.*"

In the ancient records there are many earlier references to charitable and philanthropic laws but the "Code of Hammurabai" is the most precise (auscharity.org).

Plato bequeathed valuable land to his disciples so they could maintain his Academy; in a similar way the Egyptian king, Ptolemy I, founded and endowed the famed museum and library in Alexandria.

In many ancient societies, including those of Greece and Rome, the break up of self-supporting kingship groups

caused by urbanization led to institution of state-sanctioned measures to aid the infirm, the poor, and the disadvantaged

Similarly, all the great religions, including Judaism, Christianity, Buddhism, and Islam, recognize and encourage the duty of materially well off persons to aid the less fortunate.

Most of the great American foundations, with endowments were created in the 19th and 20th centuries. In 1867, George Peabody established the first private foundation in the United States. The objective was to improve education.

Give it up for Charity

Recent research reported in the Yankelovich Monitor (December 2000) proves a new philanthropy is on the rise - increasingly, consumers want to be charitable and philanthropic. Such preferences are seen in things like the growing registry of charities as gifts for weddings and other occasions. There is also a growing patronage of retailers that contribute a percentage of each purchase to a charity, as seen on www.igive.com.

Nonprofits are a growing part of the economy - (7) seven percent of national income and (8) eight percent of the work force. Figures show growth over 1977 to 1996 in the number of nonprofits from 739,000 to 1.14 million, and in funds raised from \$111.1 billion to \$621.4 billion (Yankelovich Monitor, December 2000).

Retailers and nonprofits have taken advantage of this rise in philanthropic appeal through partnering with cause related associations and issuing affinity based products. Target, the second largest retail discount chain behind Wal-Mart, developed the Target "Take Care of Education" program which allows Target credit card holders to designate a school of choice to receive a donation of 1% of their charge card purchases. Seventeen million cardholders participate, each spending four times the average Target customer.

General Mills has been marketing the "Box Tops for Education" program since 1996 and has raised over \$50 million for local schools. General Mills is now partnering with First USA Bank to extend the value of their program by issuing an affinity-based credit card that will help generate additional funds for local schools.

History of Cards

With the advent of credit cards, the future of Cause marketing and philanthropic giving was going to take on a new twist. The history of credit is chronicled at www.didyouknow.com. Credit dates back to its first use in Assyria, Babylon and Egypt over 3,000 years ago. The bill of exchange - the forerunner of banknotes - was established in the 14th century. Debts were settled by one-third cash and two-thirds bill of exchange. Paper money followed only in the 17th century.

From the 18th century until the early part of the 20th century, tallymen sold clothes in return for small weekly payments. They were called "tallymen" because they kept a record or tally of what people had bought on a wooden stick. One side of the stick was marked with notches to represent the amount of debt and the other side was a record of payments. In the 1920s, a shopper's plate - a "buy now, pay later" system - was introduced in the USA. It could only be used in the shops, which issued it. (www.didyouknow.com)

In 1950, Diners Club and American Express launched their charge cards in the USA, the first "plastic money". In 1951, Diners Club issued the first credit card to 200

customers who could use it at 27 restaurants in New York. But it was only until the establishment of standards for the magnetic strip in 1970 that the credit card became part of the information age.

Since the early 1980's, millions of dollars in royalties from affinity credit cards have enabled American nonprofit associations to accomplish vitally important missions and offer value to their members.

**The Need for Affinity Cards
and Their Benefit to Associations**

Margaret F. O'Hare representing the National Association of Social Workers spoke out in a Spring 1998 Partner Card Advisor article "*Successful Association/Issuer Partnerships: Association Executives Speak Out*" about what associations expect from card issuers today. "Associations are looking for partners that have shared goals with the association, so we can deliver value added products to our members" (p. 4). Affinity card programs have been a dramatic source of revenue for many organizations and many expect affinity cards to continue to be a very relevant part of our organization (p. 4).

In addition to providing important royalty income, affinity cards are also a proven way for not-for-profit organizations to build closer relationships with constituents (p. 7).

In her article "*Emotional appeal of charging for charity rings up the donations for favorite causes:*" Libby Wells (199) wrote, "Despite their cost (higher than average interest rates), affinity cards are tremendously popular. Visa International estimates that by 2003, half of all credit cards issued worldwide will be affinity and co-brand cards." (p. 2). Credit card carrying consumers prefer affinity cards because they are a reminder of something they feel strongly about. Organizations and Financial Institutions, which partner to issue affinity cards agree they offer significant tangible returns.

Top Reasons Why Consumer Choose Affinity Cards

In *Kerr & Downs (June 1996, Survey)*, research showed why a consumer would be attracted to an Affinity card. Consumers love choices and today they almost expect choices. Affinity credit cards offer those choices and the key is for the card issuer to understand what the consumer wants. MBNA

Top Reasons Why Consumers Choose Affinity Cards:

Research illustrates the decision criteria behind the choice of an affinity credit card (respondents could check more than one answer):

- | | |
|---------------------------------------|------------|
| • No Annual Fee | 61% |
| • Support for the Organization | 44% |
| • Lower Interest Rates | 39% |
| • Air Miles, Dining Clubs, Rebates | 27% |
| • Card Designs | 16% |
| • Credit Line | 10% |

Source: Kerr & Downs (June '96)

and First USA Bank, which have thousands of affinity cards and rank as two of the top three credit card issuers in the United States.

The model constructed via this Master's Project will review the components associated with developing and marketing a successful affinity credit card program.

The increase in philanthropic giving and cause marketing has had a direct affect on the affinity card business over the past ten years. This has led many organizations both nonprofit and for-profit to investigate the advantages of entering into a partnership with a card-issuing bank. This study and Response for Proposal (RFP)

guideline is being developed to fill a void in the marketplace. Many organizations rely on consultants to assist them in developing a RFP. This study demonstrates the key elements of the decision making process and provides a sample workable document for organizations to utilize through their process. A review of the literature for this study provides an overview of the affinity card trends and needs and establishes the basis for this research.

Chapter III

DESIGN OF THE STUDY

Population Sample

Through this study, the author plans to develop a working outline that can be utilized by Associations when considering entering into an Affinity credit card partnership with an issuing bank. The author plans to analyze the data collected and create a working RFP for usage by similar associations. Data were collected for this research study from email and phone correspondence. The sample population consisted of executive directors from non-profit organizations and senior executive members of the First USA sales. They were selected for this study based on their knowledge of Affinity card programs and their non-profit status.

Focus Groups

The author corresponded with the sample panel via email and telephone conference calls. The discussions were focused on the challenges they faced when issuing an RFP and making the necessary steps to enter into an Affinity

partnership. In 1999 when the initial framework for this study was established the author first emailed all the targeted participants asking for their approval to move forward with the study. Once the initial approval was received the author corresponded individually with all participants to obtain their initial impressions and need for such a study. The second phase consisted of two Focus Group sessions that were held via conference call.

The participants were selected as a representative sample of the affinity marketplace at the time. They were selected to cover environmental and philanthropic causes (World Wildlife Fund & Special Olympics), Professional Associations (American Medical Association & National Association of Realtors), University Alumni Groups (The University of Tennessee), Education and Preservation Groups (National Geographic Society) and Sports (United State Olympic Committee).

The participants from the sales team were selected based on their professional experience and understanding of the market place. They included; Sean Collins, senior vice president of sales; Matthew Namie, group vice president and D'Anne Avontis, vice president.

Data Collection

There was no formal survey established to gather the information needed. The author believed it was best to introduce the participants to the topic and ask for them to share their previous experiences. Once the author had gathered the historical framework, the participants were asked to address gaps and shortfalls in the process. This information was noted by the author and used in conjunction with industry trade data from Visa and other industry sources to support the objective of this study.

The data from the above discussions in addition with marketplace literature were placed in a two-part "reference tool" which is presented by the author in Chapter IV. In part I of Chapter IV the author provides an outline reviewing "Why an association should consider entering into an affinity partnership with a credit card bank" and the author outlines seven trends impacting the business today. In part II of Chapter IV the author provides a background on developing a RFP and finally displays a sample RFP.

CHAPTER IV
ANALYSIS OF DATA

Part I: Why enter into an affinity program?

What does the partner need to consider prior to entering into an affinity card program with a banking institution?

For many nonprofit 501 C-3 organizations, revenue to support the organization cause and membership benefits is extremely important. Most of the revenue is generated either by dues paid by members or by donations provided by constituents. Increasing that revenue generated by non-dues or non-donor activities typically resides with the licensing department. Consideration is often given to affinity card programs, in which organizations can earn valuable revenue by endorsing an agreement with a financial institution. Many factors have changed since affinity credit cards were first developed in the 1980's. The most significant developments are the enormous growth in the use of credit cards, increasingly competition between card issuing banks, the new recognition of the value of an organization's endorsement, and the emergence of the Internet

Seven Trends Impacting Affinity Card Programs:

1. Credit Cards are a Preferred Payment Method and Usage is Increasing

From retail purchases to groceries to medical bills, credit cards are now an accepted and popular form of payment for virtually every kind of consumer transaction. According to The Nilson Report, in 1997 21.1% of all consumer purchase volume was transacted with credit cards. By 2005, this proportion is projected to jump to 26.55%, more than any other form of payment except personal checks. Between 1997 and 2005, credit card volume will increase by 90%.

In 1997, there were 405,200,000 Visa and MasterCard cards in use. The Nilson Report projects the number of cards to reach 534,400,000 by 2000, an increase of 32%.

2. There is Growing Competition Among Issuers

More than 5,000 banks issue Visa and MasterCard cards today. However, the banking industry has undergone some consolidation. Growth in the credit card business is increasingly concentrated among a handful of banks. The Nilson Report states the ten largest U.S. bankcard issuers

saw their market share increase to 78% in 1998 from 59% in 1990. The fastest growth has been among banks that specialize in credit cards.

Top Credit Card Issuers:

| <i>Issuer</i> | <i>Cards</i> | <i>Outstandings</i> |
|---------------------|--------------|---------------------|
| 1. Citigroup | 69,810,000 | \$74.2 Billion |
| 2. First USA | 64,191,000 | \$69.4 Billion |
| 3. MBNA | 35,750,000 | \$58.8 Billion |
| 4. American Express | 29,900,000 | \$43.2 Billion |
| 5. Discover | 48,000,000 | \$38.6 Billion |
| 6. Chase | 28,700,000 | \$33.6 Billion |
| 7. Bank of America | 28,980,000 | \$20.9 Billion |
| 8. Provident | 14,900,000 | \$18.7 Billion |
| 9. Capital One | 25,528,000 | \$15.7 Billion |
| 10. Fleet | 10,500,000 | \$14.3 Billion |

Source: The Nilson Report, Jan '00

Banks have become extremely competitive and many now offer financial guarantees and other incentives to win association card programs. More and more associations are recognizing the value of their programs to banks and encouraging competitive bids through RFPs. There is a definite trend among organizations with established card programs to consider switching issuers to get a better

financial package for the organization and increased card value for constituents. There is also a trend among organizations that have never offered a card program to reconsider this stance as the opportunity cost of not participating rises.

In either case, allowing banks to compete through a RFP process is critical in maximizing the revenue form an affinity card program.

3. Today's Consumers Are More Sophisticated

The fierce competition between card issuers has also given consumers many choices. One result is that card value has become the consumer's priority in selecting a credit card. Savvy consumers have embraced cards with no annual fees and low interest rates, and often expect cards to offer other value components, such as rebates, points, or airline miles. A recent survey of members of several nonprofit associations by Partnership Advisor (Partner Card Advisor, Spring 1998) indicated that card value matters most. When asked why they selected their last credit card, respondents ranked no annual fee as the top reason, followed by a lower

interest rate, a rebate or value component, and the association sponsorship.

4. Effective Marketing is More Crucial Than Ever

Today's successful card programs are powered by dynamic and sophisticated marketing. Banks that have developed superior database marketing and segmentation skills are the fastest growing card issuers because of their ability to test new approaches and target marketing efforts more effectively. The enormous volume of credit card direct mail illustrates the importance of marketing.

5. The Internet Has Emerged as a Powerful New Medium

Another trend is the phenomenal growth of the Internet as a channel for communications and electronic commerce. Most associations now have sites on the World Wide Web and members increasingly are communicating with their associations electronically.

The Internet has created a new avenue for promoting affinity cards. Many organizations now enable members to apply for an affinity card online or use the association's card to buy endorsed products and services electronically.

The Internet is also becoming an important cardmember service channel. The Internet's role is sure to grow as consumers become familiar and comfortable with online transactions.

6. Cardholders Expect Superior Customer Service

The quality of customer service is becoming a key differentiating point for banks offering credit cards. Banks that are dedicated to fast, personal, "high touch" customer service report higher cardholder satisfaction, higher customer retention rates, and higher card usage. There is a growing recognition that quality customer service, delivered in a timely manner, has an important impact on making an association's card the card of choice in a member's wallet.

7. The Value of the Associations "Brand" is Increasing

Even with all the competition for cardholders among banks, association affinity card programs are thriving. In fact, association sponsorship gives affinity cards distinct advantages in a competitive market.

The member's affiliation with the sponsoring organization helps an affinity card offer jump out in a crowded mailbox. And member loyalty still plays a strong role. The enhanced-value credit cards being offered to members by associations today are now an expected and widely used member benefit. Affinity credit cards are also helping organizations extend their "brand" identity in countless new ways, through partnerships with other organizations that offer member services.

Part II: Background on developing a Request for Proposal (RFP) and Sample RFP

The Request for Proposal (RFP) is a formal business document that invites banks that issue credit cards (issuers) to respond with proposals for an affinity program partnership.

Developing an Outline:

The RFP is typically issued by the organization looking to enter into a partnership with a banking institution. Many organizations will employ the services of an outside

consultant to issue and review the responses generated from a RFP.

A RFP typically includes these sections:

- I. Description of the Organization and RFP Requirements
- II. General Background of the Potential Bank Partner
- III. Description of Program Product Offer and Features
- IV. Interest Rate Calculation and the Credit Decision Process
- V. Cardholder Service
- VI. Marketing Commitment
- VII. Program Support and Servicing
- VIII. Revenue Commitment and Contract Term

Even if you follow this sample outline, every RFP is unique and should reflect the individual characteristics of the association. The RFP should tell issuers about the association's specific needs and objectives. A partnership with a large national organization, for example, will appeal to a different set of issuers than a partnership with a small group with a local or regional membership.

What Belongs in Your RFP: Key Evaluation Factors

1. Your Organization's Needs and Your RFP Requirements:

To get a comprehensive response to your RFP, it's beneficial to share information about your organization with potential banking partners so they can evaluate the opportunity your partnership represents. This section is your opportunity to promote the value of your organization's endorsement to a prospective bank partner, in order to maximize the value of the offers you receive. Include the size of your constituent base, the level of affinity constituents have for your organization, your mission, and your objectives for the card program. You should also state at the beginning of your RFP the schedule for responses, the format you prefer, and who will make the selection decision.

2. General Background of the Potential Bank Partner:

The questions in this section should focus on getting to know the potential bank partner, understanding their business philosophy, and determining their position within the industry. The bank that administers the program should be stable, sophisticated, and

technologically capable of delivering the consistent quality and service your members expect in today's fast-changing environment.

3. Description of Program Product Offer and Features:
Competition among issuers for credit card - wallet share is fierce and consumers today are much more savvy about identifying the price and product value associated with their credit card. To succeed, an affinity card program must be competitive. In order to maximize participation, usage, and ultimately revenue, your program must provide true value to members and include an array of products that meet everyone's needs. This section of the RFP should include questions that pinpoint the specifics of the product(s) the issuing bank is proposing.

4. Credit Decisions:
This section of the RFP should ask the bank to spell out the criteria it will use to determine which members of your organization are granted credit through your affinity card. You'll want to understand the credit

decision process to assure that it is fast, fair, and objective and that as many members as possible will be eligible to carry your affinity card.

5. Cardholder Service:

Association members will expect high quality service from your issuing bank. Because customer service is such a critical factor in card usage and retention, this should be carefully examined in the RFP process.

In this section, you'll want to gather detailed information about the bank's service philosophy and capabilities. The RFP should include questions that evaluate statistical measures of responsive service, such as application processing time, speed in which calls are answered, credit line increases and most importantly as for an outline of the training customer service advisors must go through.

6. Marketing Commitment:

The quality, variety and frequency of the bank's marketing program over the life of a partnership will

determine the overall success of participation by association members. The issuing bank should have the ability to market utilizing multiple acquisition and communication channels, including; the internet, direct mail, telemarketing, alternative media and editorials.

In this section, you should determine exactly how the bank will market your card and the strategies and tactics the bank will use to open and activate accounts.

7. Program Support and Servicing:

A true affinity partnership between an organization and an issuing bank extends beyond the marketing of credit cards bearing the organization's logo to include comprehensive program support. You should expect the issuing bank's partnership team to seek out ways to help your organization build member loyalty, improve member communications and better understand member needs.

Use this section to learn how the bank will interact with your organization on a day-to-day basis to report

program results, provide you with new communications vehicles, and support your ability to manage your organization more effectively.

SAMPLE RFP**Section I:**

Description of Your Organization and RFP Requirements:

Statement from your organization:

- ◆ Provide a brief history of your organization, including your mission and goals.
- ◆ Provide an expression of your interest in developing an affinity card program with a description of your vision and goals for the program.

Key information utilized in maximizing the Bank offer:

- ◆ Provide a detailed demographic description of your membership and the number of constituents that can be reached by mail, segmented by demographics.
- ◆ Provide a brief description of your database capabilities including key information used in segmenting member files.
- ◆ Provide a sample/description of member communications materials, as well as circulation and frequency of mailings.

If you have/had an existing credit card program provide:

- A) The history of your current/prior program
- B) The contract expiration date
- C) The renewal notification date
- D) The number of existing credit card accounts
- E) The existing product description and offer
- F) A list of the best aspects of your program
- G) Your suggestions for areas of improvements

Provide a brief description/listing of other products and services offered, including experience with other affinity programs.

RFP Requirements and Contact Information

- A) RFP Due date
- B) A description of the selection process, including timeline
- C) A description of your board/executive review process
- D) Your expected date of decision
- E) The number of copies of RFP responses requested
- F) The name and telephone number of a contact to field RFP questions

- G) The name and address of the individual to whom proposals should be sent

Section II:

General Background of the Potential Bank Partner

- A) Corporate Background - ask the bank to provide a brief history of their organization including; principle headquarters, headquarters for affinity administration, amount of credit card outstandings, number of cardholders and financial ratings.
- B) Affinity Program Background - ask the bank partner to describe their experience with affinity card program marketing including; a history of the bank's involvement with affinity programs, number of affinity relationships the bank has, philosophy behind affinity card marketing and team structure of those whom will manage the affinity program relationship.
- C) Internet Capabilities - ask the bank to describe their Internet presence including any affinity programs they currently market via the Internet and any on-line banking capabilities.

- D) Other Products and Services - ask the bank to describe other types of financial services they could make available to your constituents.
- E) References
- F) Principal bank contact

Section III:

Description of Program Product Offer and Features

A) Card Product:

Which card association will be affiliated with this program (MasterCard or Visa)?

B) Annual Fee

What is the annual fee associated with each product (Classic, Gold, and Platinum)?

C) Credit Limits

What is the credit limit ranges by product?

D) Introductory Rate

Will there be an introductory rate associated with the card?

Is the introductory rate fixed or variable?

Is the introductory rate applicable to purchases and balance transfers?

E) Interest Rate

List the interest rate by product?

Will the interest rate be fixed or variable?

F) Cardholder Benefits

List cardholder benefits by product.

G) Fees

Please list any service fees (i.e. late payment fees, over the limit fees, lost/stolen fees).

Section IV:

Interest Rate Calculation and Credit Decisions

A) Interest Rate Calculation

What is your current interest-free grace period for the following?

B) The Credit Decision Process

Please describe your process for making decisions on granting credit.

Section V:

Cardholder Service

A) General Information

How does the bank measure customer service?

B) People and Training

Explain your typical customer service-training program.

C) Availability

Are representatives available 24/7/365?

D) Statistics and Processes

What is the average speed of answer?

What is the average handle time?

What is the average number of calls per cardholder?

Section VI:

Marketing Commitment

A) General Information

Please describe your marketing philosophy. Will you (the bank) assume all the marketing costs?

How will marketing initiatives be coordinated between the bank and our organization?

B) Marketing Capabilities

Please describe the marketing strategies you would like to implement for the program using each of the following marketing channels:

- Direct Mail
- Telemarketing

- Internet Marketing
- On-Site (Event) Marketing
- Alternative Media (ads, DirecTV)
- Statement inserts and messages

C) Material Customization

Please describe the level of customization we should expect for the following program materials:

- Card design(s)
- Direct Mail pieces
- Telemarketing Scripts
- Internet Emails and Websites
- Take One applications
- Fulfillment Materials

Section VII:

Program Support and Servicing

A) Program Support

Please describe your philosophy for supporting affinity card programs.

What administrative effort(s) will be required of our organization?

B) Reporting and Tracking

Please explain your process for coding accounts and tracking account activity.

C) Confidentiality of Lists

Will all lists provided by our organization be kept confidential and used only for the solicitation effort of this program?

D) Additional Benefits

What other benefits do you as a bank provide our organization that will complement the traditional marketing channels?

Section VIII:

Revenue Commitment and Contract Terms

A) Revenue Commitment

How will our organization be compensated?

Please provide a revenue projection over the term of the proposed contract.

B) Contract Term

What is the proposed term of the contract?

Are there any auto-renewal terms to your proposed term?

Chapter V

CONCLUSION AND RECOMMENDATIONS

At the onset of this research the author sought to develop a tool that could be used as a functional model for associations, both profit and non-profit. Through the utilization of various research techniques, including focus groups, primary data research and secondary industry trade research the author concluded that the need for a working tool was necessary. Many organizations ultimately higher consultants to draft the complicated RFP and conducted the long process of weeding through responses. This costs non-profit associations thousands of dollars from their already tight budgets.

Participants indicated to the author the need for a standardized or baseline Response For Proposal (RFP) or framework for the process. When considering an affinity card program a standardized RFP will assist greatly with the analysis and comparison of potential future bank partners.

Both the literature and the research data demonstrate a need for such a model and prove that there is an increasing desire in the marketplace for affinity and cobranded

programs. Visa International estimates that by 2003 more than 50% of the credit cards in the marketplace will be either affinity or cobranded cards.

The author has demonstrated a need for the development of such a "tool" for associations. The author feels confident that small and medium sized associations will benefit from the baseline RFP developed from this research study and assist in their decision-making process.

Future Study

A future study might focus on the success factors of these affinity card programs three to five years after they have been in the marketplace. It may be helpful to review the marketing that has worked and those learning's that have lead to changes in programs. However, as philanthropic and cause related contributions continue to rise, additional interested researches will embark on answering the next generation of questions on "Why enter into an affinity card marketing partnership".

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